

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ISO-00 EB-11 IO-13 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 IGA-02 COME-00 FRB-02 TRSE-00 XMB-07

DRC-01 /121 W

----- 044074

R 240858Z SEP 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8178

INFO AMEMBASSY VIENTIANE

AMEMBASSY BANGKOK

AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA L0843

USADB

FOR NAC AGENCIES

BANGKOK FOR RED

E.O. 11652: ADS, DECLAS 12/31/74

TAGS: EAID, EFIN

SUBJECT: VIENTIANE WATER SYSTEM

REF: VIENTIANE 6513

1. APPRECIATE VIENTIANE'S CONCERN RE ECONOMIC REALITIES OF LAOS.
HOWEVER, EQUALLY IMPORTANT TO RECOGNIZE FINANCIAL REALITIES OF ADB.

2. BANK HAS SO FAR FINANCED NO (REPEAT NO) LOCAL CURRENCY COSTS,
ALTHOUGH UNDER ARTICLE 13(II) OF CHARTER, BANK IS EMPOWERED
TO DO SO. SUBJECT WAS DISCUSSED LAST JANUARY BY BOARD OF
DIRECTORS IN CONTEXT OF STRATEGY FOR BANK OPERATIONS IN LESS
DEVELOPED RDMCS (ADB WORKING PAPER 2-72 DATED 22 NOVEMBER 1972).
AT THAT TIME, PRESIDENT INOUE SUGGESTED THAT BANK STAFF SUBMIT
INDIVIDUAL WORKING PAPERS TO BOARD ON MAJOR ISSUES, INCLUDING ONE
ON LOCAL CURRECNY FINANCING. STAFF PAPER ON LOCAL CURRENCY
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FINANCING HAS BEEN DELAYED PENDING RESOLUTION OF PROBLEM ON SPECIAL

FUNDS FINANCING.

3. PROBLEM DERIVES FROM INABILITY OF U.S. GOVERNMENT TO FOLLOW THROUGH TO DATE ON PROMISE TO CONTRIBUTE TO SPECIAL FUNDS RESOURCES OF BANK. AS RESULT, BANK'S SPECIAL FUNDS HOLDINGS WILL BE DEPLETED BY END OF YEAR, IF NOT SOONER, AND BANK HAS BEEN FORCED TO DEVELOP LOAN BLENDING ARRANGEMENT BETWEEN SPECIAL FUNDS AND ORDINARY CAPITAL RESOURCES TO STRETCH OUT REMAINING LIMITED AMOUNT OF SPECIAL FUNDS RESOURCES.

4. ANY LOCAL CURRENCY FINANCING PROVIDED THIS PROJECT WOULD OBVIOUSLY TRIGGER DEMANDS FOR SIMILAR FINANCING FROM NUMEROUS OTHER DESERVING ADB BORROWING MEMBERS. BANK SIMPLY UNABLE TO ACCOMMODATE SUCH REQUESTS GIVEN STATUS OF SPECIAL FUNDS RESOURCES. UNDER THESE CIRCUMSTANCES, USADB CONSIDERS IT HIGHLY INAPPROPRIATE FOR U.S. GOVERNMENT TO PRESS FOR LOCAL CURRENCY FINANCING UNTIL SOLUTION FOUND TO SPECIAL FUNDS PROBLEM.
SULLIVAN

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NNN

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30 JUN 2005

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